Deloitte & Touche

Financial Statements of

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN

December 31, 1999

Deloitte Touche Tohmatsu

100-04926/

Deloitte & Touche

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Auditors' Report

To the Members of the
Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits of the Saskatchewan Telecommunications Pension Plan as at December 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Saskatchewan Telecommunications Pension Plan as at December 31, 1999 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

March 27, 2000

Deloitte Touche Tohmatsu

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 1**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT DECEMBER 31, 1999

ASSETS	1999	1998
	(Thousands of dollars)	
Cash	$ 109	$ 399
Accounts Receivable		
Interest & dividends	535	400
Employer contributions	0	3
Employee contributions	290	10
Miscellaneous	6	6
Accrued bond interest	2,581	3,321
Investments (Schedule 1)	768,174	724,939
Total assets	771,695	729,078
LIABILITIES		
Accounts payable	841	817
Deferred refunds - contributions and interest	175	21
Total liabilities	1,016	838
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	$ 770,679	$ 728,240

Approved by the Pension Board

Lynn Archdekin - Chairperson

Raymond King - Member

Brian Renas - Member

Stacey Sandison - Member

Randy Stephanson - Member

(See accompanying notes to the financial statements)

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 2**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 1999

INCREASE IN ASSETS	**1999**	**1998**
	(Thousands of dollars)	
Investment income		
Short term	$ 2,664	$ 3,254
Bond and debentures	16,927	17,824
Equities	11,341	7,010
Mortgages	277	299
Real estate	2,654	2,539
	33,863	30,926
Current year change in market values of investments	41,782	38,032
Contributions		
Employers'	0	47
Employees'		
Current and back contributions	3,028	2,908
Interest on back contributions	1	29
Enhanced retirement adjustments	0	153
	3,029	3,137
Total increase in assets	78,674	72,095
DECREASE IN ASSETS		
Refunds and transfers		
Contributions	178	849
Interest	199	856
	377	1,705
Administration costs	1,697	1,343
Benefits paid to superannuates and beneficiaries	34,161	33,243
Total decrease in assets	36,235	36,291
INCREASE IN NET ASSETS	42,439	35,804
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	728,240	692,436
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 770,679	$ 728,240

(See accompanying notes to the financial statements)

Saskatchewan Telecommunications Pension Plan
Notes to the Financial Statements
December 31, 1999

1. Description of the Plan

The following description of the Saskatchewan Telecommunications Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Saskatchewan Telecommunications Pension Plan Text.

(a) General

The Plan is a defined benefit plan maintained by Saskatchewan Telecommunications (the corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees' Pension Plan by October 1, 1978. Effective January 1, 1999 the Plan is governed by the Pension Benefits Act, 1999 (the Act). Prior to January 1, 1999 the Plan was governed by the Saskatchewan Telecommunication Superannuation Act and the Superannuation (Supplementary Provisions) Act. The Plan is registered under The Income Tax Act and The Pensions Benefits Act, 1992, registration #0360891, and is administered by a five person Board appointed by the Corporation and Union.

(b) Investments

Investment managers identified in note 7 have been engaged to invest Plan assets based on guidelines approved by the Board of Trustees. The objective of these investment guidelines is to ensure that the Plan has sufficient assets to meet its future pension obligations and to generate sufficient cash flows to meet the required pension payments as they fall due. The investment guidelines are also designed to minimize interest rate risk and credit risk by ensuring that Plan assets are invested systematically in a diversified portfolio of Canadian and foreign equities and bonds, within the parameters prescribed under The Income Tax Act and The Pensions Benefits Act, 1992. Due to the long-term nature of the pension obligations and related cash flows, investment mix guidelines consider differences in the interest rate sensitivity of the Plan's assets and liabilities.

The Plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages and real estate. No other type of investment is permitted without the prior approval of the Board.

1. Description of the Plan (continued)

(c) Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation of the Plan was performed as at December 31, 1998.

Plan members are required to contribute to the Plan a percentage of their pensionable salary. They contribute 7%, 8% or 9% of salary depending on their age at the date of commencement of employment, less contributions to the Canadian Pension Plan.

The financial health of the Plan is guaranteed by the Corporation, who contribute the additional amounts necessary to properly fund payment of benefits to Plan members. Effective May 1996, as a result of the surplus disclosed in Note 5, the corporation has temporarily discontinued making contributions to the Plan.

(d) Benefits

The corporation guarantees the payment of the pension benefits payable under the terms of the pension plan as amended from time to time, including:

i) Service Pensions

The Plan provides a full pension at age 65, at age 60 with at least 20 years of service, or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest five years' earnings times the number of years of service. At age 65 members' pensions are reduced due to integration with the Canada Pension Plan.

A reduced pension may be opted for if certain age and years of service criteria are met.

Plan members may also elect to receive a joint annuity whereby a reduced pension is payable during the life of the member and/or the life of the spouse or dependents. When the plan member dies the spouse is entitled to receive a pension equal to 100% of the reduced pension.

1. Description of the Plan (continued)

If a member retires before age 65, the member may elect a varied allowance, whereby, an additional allowance is received until age 65 at which time the allowance will be reduced.

ii) Health Pensions

The Plan provides for early retirement when a member is permanently incapable, as declared by the Board, of performing his/her regular job duties.

iii) Survivors' Pensions

If a plan member dies after retiring, the surviving spouse receives 60% of the member's pension. Dependents under 18 receive 10%, to a maximum of 25% for all dependents combined.

iv) Death Refunds

A death refund is payable to the estate or designated beneficiary of a superannuate, in an amount equal to the difference between the superannuate's accumulated contributions and interest less the total sum of all allowances paid.

(e) Refunds and Transfers

Upon ceasing employment with the corporation, plan members may elect either to receive a refund of their contributions with earned interest less any withheld income tax or to transfer accumulated contributions and earned interest to a registered retirement savings plan or to a registered retirement pension plan as permitted by the Act. Legislation passed in 1993 allows Plan members, upon ceasing employment, to transfer their contribution with interest, together with a matching company portion to the Public Employees Pension Plan.

(f) Income Taxes

The Plan is a Registered Pension Plan as defined in The Income Tax Act and is not subject to income taxes.

2. Authority

The Plan is continued pursuant to the provisions of the Act. Contributions and investment earnings are accumulated in the pension fund for the purpose of providing pensions to the contributing members of the Plan.

Employees hired by IBM, DirectWest Publishers Ltd. (DirectWest) and Crown Investment Corporation (CIC) continue to participate in the Plan as per the Plan Text.

3. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following policies are considered to be significant:

(a) Basis of Accounting

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Investments

Investments are stated in the financial statements at market value, which approximates fair value. Bonds, debentures and equities are recorded at market values, which are determined with reference to year-end prices from recognized securities dealers. Market values for mortgages are computed using yield to maturity calculations. Real estate investments are valued at market based on independent appraisals. Canadian short-term investments are valued at cost, which approximates market, while US short terms are recorded at market value to reflect fluctuations in the exchange rate. Transactions are recorded as of the trade date.

3. Significant Accounting Policies (continued)

(c) Current Year Change in Market Value of Investments

The change in market value reflects the current year's realized and unrealized gains and losses on investments.

(d) Translation of Foreign Currencies

Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in investment income.

(e) Financial Instruments

The Plan's assets are not invested directly in currency futures, financial futures or other derivatives, and no hedging activities are conducted directly by the Pension Plan. Such derivative instruments are used occasionally with the Emerging Market and Non-North American Funds, which are pooled equity funds, administered by an investment manager with no recourse to the Plan itself.

4. Obligation For Pension Benefits

The present value of accrued benefits was determined using the accrued projected benefit method pro rated on services. An actuarial valuation was performed at December 31, 1998 by Aon Consulting, a firm of consulting actuaries, and was then extrapolated to December 31, 1999. The comparative balances were determined by using an actuarial valuation performed at December 31, 1995 by Aon Consulting, and then extrapolated to December 31, 1998.

Obligations for pension benefits are sensitive to changes in the rate of return on assets, the inflation rate, salary escalation and ad hoc increases. Based upon advice obtained from its actuaries and pension consultant, the Board of Trustees applies best estimate assumptions on these and other future economic events as described in Note 5.

4. Obligation for Pension Benefits (continued)

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and apply best estimate assumptions that affect the reported amount of assets and pension liabilities at the date of the financial statements. Actual results could differ from those estimated.

The estimated actuarial present value of benefits as at December 31 and the principal changes during the year, were as follows:

	1999	1998
	(Thousands of dollars)	
Actuarial present value of accrued pension benefits at beginning of year	$587,356	$569,098
Net experience loss on liabilities from December 31, 1995 to December 31, 1998	3,231	-
Estimated impact of Early Retirement Program	10,800	-
Interest accrued on benefits	43,167	44,381
Benefits accrued	9,640	7,120
Benefits paid	(34,161)	(33,243)
Actuarial present value of accrued pension benefits at end of year	$620,033	$587,356
Actuarial value of net assets available for benefits	770,151	713,705
Surplus	$150,118	$126,349

The actuarial value of net assets available for benefits has been determined at amounts that reflect long-term market trends (consistent with assumptions underlying the valuation of the accrued pension benefits). The valuation is based on a five-year moving-average-market method. Under this method the market value is the underlying basis, but fluctuations are averaged over a five-year period.

4. Obligation for Pension Benefits (continued)

The actuarial value of net assets available for benefits is determined as follows:

	1999	1998
	(Thousands of dollars)	
Net assets available for benefits	$770,679	$728,240
Fair value changes not reflected in actuarial value of net assets	(528)	(14,535)
Actuarial value of net assets available for benefits	$770,151	$713,705

5. Actuarial Valuation

An actuarial valuation is an assessment of the financial status of a pension plan. It consists of the valuation of assets held by the fund and the calculation of the actuarial present value of benefits to be paid under the terms of the plan.

(a) Methodology

The **Accrued Projected Benefit Method Prorated On Services** is used for financial reporting purposes and provides a valuation based on benefits earned to the date of the financial statements only.

The **Ongoing Funding Method**, although not acceptable for financial reporting purposes, provides a valuation that considers benefits earned to-date as well as future benefits to be earned and contributions to be made. It is the method used by the actuary to measure the ability of the Plan to meet current and future obligations to Plan members.

5. Actuarial Valuation (continued)

Following is a comparative analysis of the Plan surplus under the two methods:

Method	**1999 (Extrapolated)**	**1998 (Actuarial Valuation)**
	(Thousands of dollars)	
Projected Benefit Method	$150,118	$122,705
Ongoing Funding Method	$ 98,284	$ 67,544

(b) Assumptions

Best estimate assumptions, for accounting purposes, are a set of actuarial assumptions each of which reflects management's judgment of the most likely set of conditions affecting future events. Following are the significant best estimate assumptions used in the December 31, 1998 valuation to determine the actuarial value of accrued pension benefits:

Significant Assumption	**Valuation as at Dec. 31/98**	**Valuation as at Dec. 31/95**
Rate of Return on Assets	7.25%	7.75%
Inflation	3.25%	4%
Salary Escalation	3% - 1999,2000 3.25% thereafter	1% - 1996,1997,1998 4% after 1998
Ad Hoc Increases	1.95%	2.4%

The mortality rate was applied utilizing the 1983 Group Annuity Mortality Table with mortality improvements projected to the year 2003.

The following illustrates the effect on the Plan surplus of changing certain actuarial assumptions from the estimated rates of return on assets 7.25%, inflation 3.25%, salary escalation 3.25%, and ad hoc increases 1.95%.

5. Actuarial Valuation (continued)

	Long - Term Assumptions							
	Rate of Return on Assets		Inflation		Salary Escalation		Ad Hoc Increases	
	6.25%	8.25%	2.25%	4.25%	2.25%	4.25%	.95%	2.95%
(Thousands of dollars)								
(Decrease) increase in surplus	($85,222)	$69,444	($30,739)	$26,824	$12,589	($13,518)	$53,763	($64,564)

The pension liability is long term in nature. There is no ready market for settling the pension obligation and the plan has no intention of settling this obligation in the near term. Therefore, determination of the fair value of the pension liability is not practical.

6. Voluntary Early Retirement Program

The corporation offered a Voluntary Early Retirement Program to its employees for the period January 1, 1997 to December 31, 1999. Four hundred and twenty members met the eligibility requirements over this period. A total of seventy-nine members met the eligibility requirements for the program in 1999. Fifty-four members accepted the offer and twenty-five members declined the offer in 1999. As of Dec. 31, 1999, three hundred and eleven members have accepted the offer and one hundred and nine members have declined the offer under the existing programs.

The corporation has offered a Voluntary Early Retirement Program to its employees for the period January 1, 2000 to December 31, 2002. Three hundred and two members meet the eligibility requirements.

7. Administration Costs

The Pension Plan Text permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan. Other direct out of pocket expenses including custodial, investment manager and consulting fees are paid by the Plan. The costs to administer the Plan (staff salaries, actuarial and auditor costs) are also borne by the Plan and are reflected in the accompanying financial statements. The Board has developed, with the assistance of its consultant, specific investment policies and guidelines that the investment managers must adhere to when making investment decisions.

Royal Trust

As the custodian of the pension fund assets, Royal Trust performed the processing and handling of investment transactions.

James P. Marshall, Inc.

The consultant to the Board provided analytical and financial advice.

Greystone Capital Management Inc.
Beutel Goodman & Company Ltd.
Gryphon Investment Counsel Inc.

The investment managers managed the investing and disposing of Plan assets. Greystone has a balanced mandate. Beutel and Gryphon have a specialty Canadian equity mandate and a specialty Canadian bond mandate respectively.

8. Investment Performance

The investment manager makes the day to day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The primary long-term investment performance objective for the entire portfolio is to outperform the benchmark portfolio constructed as follows:

Asset Class	Market Index	Weight
Canadian Equities	Toronto Stock Exchange 300 Index	34%
US Equities	Standard & Poors 500 US Stock Index	8%
Non North American Equities	EAFE($C)	8%
Real Estate	RCPI	4%
Bonds	Scotia Capital Markets Universe Bond Index	41%
Short Term Investments	91 Day Canadian Treasury Bills	5%
Total		100%

The Board reviews the investment performance of the Fund in terms of the performance of the benchmark portfolio over rolling 4-year periods. For the four years ending December 31, 1999, the Fund had an annualized gross rate of return of 13.4%. The investment objective for this four-year period (the return of the benchmark portfolio) was 13.4%.

The rate of return generated by the Fund in 1999 was 10.7%, the investment objective was 13.2%.

9. Investments

The Fund has the following investments:

Bonds and Debentures

The Fund's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated corporate bonds cannot exceed 9% of the book value of the total portfolio. As at December 31, 1999, the Fund held 0.1% (1.1% - 1998) in BBB Bonds.

Mortgages

Investments in mortgages consist of Canadian commercial property.

Real Estate

Investments in real estate consist of Canadian commercial property.

Equities

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment manager's portfolio. The exception at December 31, 1999 was the Nortel Networks holding comprising 10.2% of the Balanced Fund manager's Canadian Equity portfolio.

Individual holdings are restricted, by Fund policy, to a maximum of 10% of the common stock in any corporation. At December 31, 1999, 5.4% (7.2% - 1998) was the largest holding.

Foreign equities including foreign pooled funds are limited to 20% of the cost of the investment portfolio and are denominated in Canadian dollars. Foreign equities represent 12.91% (12.93% - 1998) of the cost of the Fund.

Pooled Funds

The Fund's pooled funds are comprised of the following: Greystone Non-North American Fund ($73,297,797), Greystone Emerging Markets Fund ($13,128,185) Beutel Goodman Cash Management Fund ($13,295,106) and Beutel Goodman Small Cap Fund ($13,742,982).

9. Investments (continued)

Short Term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 4.8% to 5.5% (1998 – 2.4% to 5.2%) and an average term to maturity of 89 (1998 - 75) days. The Fund's investment policy states that investments must meet a minimum investment standard of "R-2" as rated by the recognized credit rating service. Other than the Government of Canada, no single issuer represents more than 8.7% of the market value of the short-term investment portfolio.

10. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government.

The Fund holds an investment in SaskPen Properties Ltd. of $4,163,526. Income and market value adjustment totalled $347,732.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.

11. Year 2000 Issue

The Year 2000 issue arises because many computer systems use two digits rather than four to identify a year. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of sponsors, suppliers, or other third parties, will be fully resolved.

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **SCHEDULE 1**

SCHEDULE OF INVESTMENTS
HELD AT DECEMBER 31, 1999

	Market Value (Thousands of dollars)	%	Average Years to Maturity	Weighted Average Yield (%) to Maturity at Market	Weighted Average Coupon Rate %
Government of Canada and federally guaranteed bonds	$ 224,807	29.27	9	5.92	5.78
Province of Saskatchewan and provincially guaranteed bonds	2,497	0.33	5	7.09	6.73
Other provinces and provincially guaranteed bonds	39,209	5.10	13	6.33	6.15
Corporate bonds	29,638	3.86	8	6.19	5.96
Total bonds	296,151	38.56	9	6.38	6.16
First mortgages	2,863	0.37			
Real estate	27,822	3.62			
Equities					
Canadian	229,091	29.82			
Small Cap Pooled Equity Fund	13,743	1.79			
Foreign	58,105	7.56			
Foreign Pooled Equity Fund	86,426	11.25			
Short term investments	53,973	7.03			
	$ 768,174	100.00			

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **SCHEDULE 2**

SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS FOR THE PERIOD FROM MAY 1, 1928 TO DECEMBER 31, 1999

			(Thousands of dollars)
CUMULATIVE REVENUES			
Earnings on investments and bank balance			$ 542,660
Cumulative change in market value of investments			331,261
Contributions			
Employers'			138,954
Employees' - Active	$ 45,320		
- Retired, deferred	47,787		
- Resigned	13,111		
- Transferred	649		106,867
Early and enhanced retirement adjustments			19,450
Employees' interest on back contributions			709
			1,139,901
CUMULATIVE EXPENDITURES			
Payments to superannuates and beneficiaries	346,721		
Refund of employees' contributions	11,353		
Interest on refunded employees' contributions	3,067		
Transfer of contributions	4,718		
Transfer of interest on contributions	3,217		
Supplementary retirement payments to employees not eligible for superannuation	93		
Death benefit (matching amount)	36		
Interest on employee's savings plan	17		369,222
Net assets available for benefits at market value - December 31, 1999			$ 770,679